

The Outlook

THE MORTGAGE CORNER

“What exactly is a mortgage?”

A mortgage is basically an interest in land created by a contract. Normally it involves a loan that is secured by the piece of land, and anything that is permanently attached to the land. Attachments include buildings, fences, paving – anything that is considered an improvement to the land.

The word mortgage comes from “mort” which means dead, and “pledge” which refers to pledging as security. “Dead pledge” sounds pretty serious – back in the 12th century a mortgage conveyed both title and use of the land to the lender! Luckily today’s mortgage is basically security for the loan.

A lender (the mortgagee) takes mortgage security over a piece of land by registering their claim at the appropriate Land Title Registry Office. This is done after the mortgagor (the borrower) signs their permission on the mortgage agreement form. Normally the lender is restricted to realize (convert the property into money) on the property itself, should the borrower default on the loan. However, some newer mortgage documents now allow the lender to also sue the borrower if the sale of the property itself is not enough to pay off the loan balance.

If a person were to do a search on a property at the applicable Land Title Registry Office, they would be notified if there was a mortgage outstanding on the property. Other interests show up as well – such as tax liens, caveats and notices, builders liens, etc. If another party is planning to purchase a subject property, they would become aware that any registered interests would need to be paid or dealt with before they could transfer the title into their names.

Due to the complexity of mortgaging and real estate transactions, normally either a lawyer or a title insurance company (or both) are involved in the process. This helps to protect both the borrower and the lender. Speaking to a mortgage broker will help you understand the mortgage process.

Midwestern Mortgage